

MORIHARA LAU & FONG LLP

A LIMITED LIABILITY LAW PARTNERSHIP

March 23, 2010

HAND DELIVER

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street
Kekuanaoa Building, Room 103
Honolulu, HI 96813
Attention: Ji Sook Kim, Esq.

PUBLIC UTILITIES
COMMISSION

2010 MAR 23 P 2:49

FILED

RE: Docket No. 2009-0049 - Wai'ola O Moloka'i, Inc. ("WOM")
Submittal of Revised Revenue Requirement Schedules

Dear Chairman, Commissioners and Commission Staff:

Consistent with the filing made yesterday on behalf of Molokai Public Utilities, Inc., enclosed are WOM's revenue requirement schedules which have been revised to conform to the format that was followed by the Division of Consumer Advocacy in its Statement of Probable Entitlement filed on March 16, 2010.

Thank you for your consideration in this matter. If you should have any questions, please do not hesitate to contact the undersigned.

Very truly yours,



Michael H. Lau
Yvonne Y. Izu

Morihara Lau & Fong LLP
Attorneys for Wai'ola O Moloka'i, Inc.

Enclosures

c w/enclosures:

Consumer Advocate
Margery S. Bronster/Jeanette Castagnetti, Esq. (COM)
James J. Bickerton, Esq. (MPL)

Exhibit WOM 6
Docket No. 2009-0049
Witness O'Brien
Page 1 of 1

Waiola O Molokai
Revenue Requirements & Rate of Return Summary
Test Year Ending June 30, 2010

| Line # | | [1] As Filed Present Rates | [2] Rebuttal Adjustments Per WOM-R-1 | [3] Revised Revenue Increase | [4] Proposed Rates at 2.00% Sum [1 to 3] |
|--------|-------------------------------------|---------------------------------------|---|---|--|
| 1 | Monthly Customer Charge | \$30,860 | 265 | \$127,951 | \$159,076 |
| 2 | Water Usage Charges | 92,500 | (16,668) | 357,547 | 433,379 |
| 3 | Other | 0 | | | 0 |
| 4 | Connection Fees | 0 | | | 0 |
| 5 | Late Fees | 300 | 800 | | 1,100 |
| 6 | | | | | |
| 7 | Total Operating Revenues | 123,660 | (15,603) | 485,498 | 593,555 |
| 8 | Labor, PR Taxes & Employee Benefits | 141,449 | (14,204) | | 127,245 |
| 9 | Fuel & Power | 10,658 | (1,824) | | 8,832 |
| 10 | Cost of Sales | 106,926 | (11,246) | | 95,680 |
| 11 | Treatment Charges & Chemicals | 0 | | | 0 |
| 12 | Materials & Supplies | 13,581 | | | 13,581 |
| 13 | | | | | 0 |
| 14 | Affiliated Charges | 18,000 | (8,340) | | 9,660 |
| 15 | Professional & Outside Services | 3,598 | (442) | | 3,156 |
| 16 | Repairs & Maintenance ("R & M") | 17,088 | (6,569) | | 10,519 |
| 17 | Rents | 0 | | | 0 |
| 18 | Insurance | 16,000 | | | 16,000 |
| 19 | Regulatory Expense | 55,000 | 48,466 | | 103,466 |
| 20 | General & Administrative | 5,855 | | | 5,855 |
| 21 | Total O&M Expenses | 388,153 | 5,841 | 0 | 393,994 |
| 22 | Taxes, Other Than Income | 7,896 | (996) | 30,999 | 37,898 |
| 23 | Depreciation | 136,619 | (3,333) | | 133,286 |
| 24 | | | | | 0 |
| 25 | Income Taxes | 0 | 0 | | 0 |
| 26 | Diff. due to changing factors | | | | |
| 27 | Total Operating Expenses | 532,668 | 1,512 | 30,999 | 565,178 |
| 28 | Operating Income | (\$409,008) | (\$17,115) | \$454,499 | \$28,377 |
| 29 | Average Rate Base | \$1,388,837 | | | \$1,416,876 |
| 30 | Return on Rate Base | -29.45% | | | 2.00% |
| 31 | Target ROR | 2.00% | | | |
| 32 | Increase in ROR | -31.45% | | | |
| 33 | Increase in NOI | 436,784 | | | |
| 34 | GRCF | 1 69800 | | | |
| 35 | Increase in Revenues | \$741,660 | | \$256,162 | |
| 36 | Percent Increase in Revenue | | | 599.76% | |

Exhibit WOM 7
Docket No. 2009-0049
Witness O'Brien
Page 1 of 1

Waioala O Molokai
Income Tax Expense
Test Year Ending June 30, 2010

| | | [1] | [2] | [3] | [4] | [5] | [6] | [7] | [8] |
|--------|---|-----------------|---------------|------------------|----------------|---------------|------------------|----------------|--|
| Line # | Description | Taxable Amounts | | | | Income Taxes | | | Difference in Income Tax Calculations [4] + [5] - [6] |
| | | Tax Rates | Present Rates | Revenue Increase | Proposed Rates | Present Rates | Revenue Increase | Proposed Rates | |
| 1 | Total Revenues | | | | | 123,660 | 485,498 | 609,158 | |
| 2 | Total Operations & Maintenance Expenses | | | | | 388,153 | 0 | 388,153 | |
| 3 | Depreciation | | | | | 136,619 | 0 | 136,619 | |
| 4 | 0 | | | | | 0 | 0 | 0 | |
| 5 | Taxes Other than Income Taxes | | | | | 7,896 | 30,999 | 38,895 | |
| 6 | Total Operating Expenses | | | | | 532,668 | 30,999 | 563,667 | |
| 7 | Operating Income before Income Taxes | | | | | (409,008) | 454,499 | 45,491 | |
| 8 | Interest Expenses | | | | | 0 | 0 | 0 | |
| 9 | State taxable Income | | | | | (409,008) | 454,499 | 45,491 | |
| | Less: | | | | | | | | |
| | State Income Tax | | | | | | | | |
| 10 | less than \$25K | | (25,000) | 25,000 | 25,000 | 0 | 0 | 0 | |
| 11 | Over \$25K, but less than \$100K | | (75,000) | 75,000 | 20,491 | 0 | 0 | 0 | |
| 12 | Over \$100K | | (309,008) | 354,499 | | 0 | 0 | 0 | |
| 13 | State Income Taxes | | | | | 0 | 0 | 0 | 0 |
| 14 | Federal taxable income | | | | | (409,008) | 454,499 | 45,491 | |
| | Federal income tax | | | | | | | | |
| 15 | less than \$50K | | (50,000) | 50,000 | 45,491 | 0 | 0 | 0 | |
| 16 | Over \$50K, but less than \$75K | | (25,000) | 25,000 | | 0 | 0 | 0 | |
| 17 | Over \$75K, but less than \$100K | | (25,000) | 25,000 | | 0 | 0 | 0 | |
| 18 | Over \$100K, but less than \$335K | | (309,008) | 235,000 | | 0 | 0 | 0 | |
| 19 | Over \$335K | | | 119,499 | | | 0 | | |
| 20 | Federal Income Taxes | | | | | 0 | 0 | 0 | 0 |
| 21 | Total Federal and State income taxes | | | | | \$0 | \$0 | \$0 | \$0 |
| 22 | Effective Tax Rate | | | | | 0.0000% | 0.0000% | 0.0000% | |
| 23 | State | | | | | 0.000% | 0.000% | 0.0000% | |
| 24 | Federal | | | | | 0.000% | 0.000% | 0.0000% | |

Exhibit WOM 8
Docket No. 2009-0049
Witness O'Brien
Page 1 of 1

Waiola O Molokai
Taxes Other Than Income Taxes
Test Year Ending June 30, 2010

| Line # | Description | [1] Revenues at Present Rates | [2] Revenues at Proposed Rates | [3] Tax Rates | [4] Taxes at Present Rates | [5] Taxes at Proposed Rates |
|----------------------|--|--|---|-----------------------|---------------------------------------|--|
| <u>Revenue Taxes</u> | | | | | | |
| 1 | Public Company Service Tax (Pursuant to HRS § 239) | \$123,660 | \$593,555 | 5.885% | \$7,277 | \$34,931 |
| 2 | Public Utility Fee (Pursuant to HRS § 269-30) | 123,660 | 593,555 | 0.500% | 618 | 2,968 |
| 3 | Franchise Tax (applicable to electric companies only) (Pursuant to HRS § 240) | | | 2.500% | | |
| 4 | Total Revenue Taxes | | | | 7,896 | 37,898 |
| <u>Other Taxes</u> | | | | | | |
| 5 | Name | | | | | 0 |
| 6 | Total Other Taxes | | | | 0 | 0 |
| 7 | Total Taxes Other Than Income Taxes | | | | \$7,896 | \$37,898 |

Waiola O Molokai
Average Rate Base
Test Year Ending June 30, 2010

Exhibit WOM 9
Docket No. 2009-0049
Witness O'Brien
Page 1 of 1

| | | [1] | [2] | [3] |
|--------|--|---------------------|----------------------|-------------|
| Line # | Description | At June.30, 2009 | At June. 30, 2010 | Average |
| | <u>Plant In Service</u> | \$3,353,813 | \$3,313,813 | \$3,333,813 |
| 1 | Accumulated Depreciation Reserve | 1,839,418 | 1,972,703 | 1,906,060 |
| 2 | Net Plant-in-Service | 1,514,395 | 1,341,110 | 1,427,753 |
| | <u>Deduct:</u> | | | |
| 3 | Net Contributions in Aid of Construction | 0 | 0 | 0 |
| 4 | Customer Advances | 0 | 0 | 0 |
| 5 | Customer Deposits | (43,710) | (43,710) | (43,710) |
| 6 | Accumulated Deferred Taxes: Federal | | | 0 |
| 7 | Accumulated Deferred Taxes: State | 0 | 0 | 0 |
| 8 | Unamortized Hawaii General Excise Tax Credit | | | 1 |
| 9 | subtotal | (43,710) | (43,710) | (43,709) |
| | <u>Add:</u> | | | |
| 10 | Working Capital | 32,833 | 32,833 | 32,833 |
| 11 | Retirements | 0 | 0 | 0 |
| 12 | subtotal | 32,833 | 32,833 | 32,833 |
| 13 | Total at End of Year | \$1,503,518 | \$1,330,233 | |
| 14 | Average Rate Base For Test Year | | | \$1,416,876 |

Waiola O Molokai
Rates at Present, Temporary and Rebuttal Revenue Levels
Test Year Ending June 30, 2010

| | | [1] | [2] | [3] | [4] | [5] | [6] | [7] | [8] | [9] | [10] | [11] |
|--------------------------------|---------------------------------------|------------|--------------------------------|------------------------------|----------------|---------------|----------------------------------|----------------|---------------|-----------------------------|----------------|---------------|
| Line # | Description | Meter Size | # of Cust Bills Or Water Usage | Base Rates Effective 1-13-93 | | | Temporary Rates Effective 9-1-08 | | | Rates At Rebuttal Positions | | |
| | | | | Monthly Rate | Annual Revenue | Total Revenue | Monthly Rate | Annual Revenue | Total Revenue | Monthly Rate | Annual Revenue | Total Revenue |
| | | | | | [2] * [3] | | | | [2] * [6] | | | |
| 1 | Rate Increase Percent | | | | | | | | | 379.100% | | |
| Monthly Customer Charge | | | | | | | | | | | | |
| 2 | # of Customers (151) MRC | 5/8" Meter | 4,096 | \$5.00 | \$ 20,480 | | \$5.00 | \$ 20,480 | | \$ 24.00 | \$98,304 | |
| 3 | # of Customers (152) MRC | 3/4" Meter | 48 | \$5.00 | 240 | | \$5.00 | 240 | | \$ 24.00 | 1,152 | |
| 4 | # of Customers (153) MRC | 1.0" Meter | 204 | \$10.00 | 2,040 | | \$10.00 | 2,040 | | \$ 48.00 | 9,792 | |
| 5 | # of Customers (154) MRC | 2.0" Meter | 204 | \$25.00 | 5,100 | | \$25.00 | 5,100 | | \$ 120.00 | 24,480 | |
| 6 | # of Customers (158) MRC | 8.0" Meter | 12 | \$250.00 | 3,000 | | \$250.00 | 3,000 | | \$ 1,198.00 | 14,376 | |
| 7 | # of Customers (190) TPI | 0 | - | \$0.00 | - | | \$0.00 | - | | \$ - | - | |
| 8 | # of Customers (241) KHY | 0 | 12 | \$25.00 | 300 | | \$25.00 | 300 | | \$ 120.00 | 1,440 | |
| 9 | # of Customers (200) KWA | #REF! | 4 | \$0.00 | - | | \$0.00 | - | | \$ - | - | |
| 10 | Sub-Total | | | | | \$31,160 | | | \$31,160 | | | \$149,544 |
| Water Usage Charge | | | | | | | | | | | | |
| 11 | Percent increase in Usage Charge | | | | | | | | | 379.100% | | |
| 12 | Water Use for Test Year (000 gallons) | | 50,000 | \$1.85 | 92,500 | | \$5.15 | 257,500 | | \$8.8633 | 443,165 | |
| 13 | Usage Revenue | | | | 92,500 | | | 257,500 | | | 443,165 | |
| 14 | Total Revenue | | | | \$ 123,660 | | | \$ 288,660 | | | | \$ 592,709 |
| | | | | | | | | | | Late Fees | 1,100 | |
| | | | | | | | | | | Rounding | (254) | |
| | | | | | | | | | | Total | \$ 593,555 | |